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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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09/777,329

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Kenneth S. Wheelock

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EXAMINER

MOONEYHAM, JANICE A

ART UNIT

PAPER NUMBER

3629

SHORTENED STATUTORY PERIOD OF RESPONSE	MAIL DATE	DELIVERY MODE
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3 MONTHS

03/09/2007

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

# Office Action Summary

Application No.

09/777,329

Applicant(s)

WHEELOCK, KENNETH S.

Examiner

Janice A. Mooneyham

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

## Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

## Status

- 1) ☒ Responsive to communication(s) filed on 14 February 2007.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

## Disposition of Claims

- 4) ☒ Claim(s) 1-38 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1 and 3-28 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

## Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

## Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

## Attachment(s)

- ☐ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO/SB/08)  
Paper No(s)/Mail Date \_\_\_\_\_
- ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date. \_\_\_\_\_
- ☐ Notice of Informal Patent Application
- ☐ Other: \_\_\_\_\_

### **DETAILED ACTION**

1. This is in response to the applicant's communication submitted on February 14, 2007, wherein:

Claims 1 and 3-28 are currently pending;

Claims 1 and 25-28 have been amended;

Claim 2 has been cancelled.

#### ***Continued Examination Under 37 CFR 1.114***

2. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection.

Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114.

Applicant's submission filed on February 14, 2007 has been entered.

#### ***Claim Rejections - 35 USC § 112***

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

3. Claims 1 and 3-28 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

It is unclear as to what the applicant actually claims as applicant's invention. Reading the applicant's claims as amended, it appears that the applicant is claiming a method of doing business comprising transferring patented goods from a licensor to a licensee. Goods are not actually physically

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transferred by the license. The right or privilege to use the goods are transferred by a license. Therefore, if the applicant is actually trying to claim a transfer of goods, applicant has failed to provide the steps that carry out the transfer.

It appears that the applicant may be trying to claim the transfer of intellectual property rights to goods through a license.

Claim 1 is directed to transferring patented goods and transferring rights in the goods. The Examiner is unclear what applicant how applicant is using the term "transferring."

Looking at the specification, the applicant defines the invention as follows:

[0002] The invention relates primarily to a method of doing business. More particularly the present invention relates to a method of doing business involving materials or articles of manufacture. Said materials comprise components or materials that are protected by one or more claims of at least one valid and enforceable patent wherein said method comprises licensing said components or materials as a means of transferring possession.

[0006] The present invention provides for a method of doing business comprising the transfer of goods from a transferor to a transferee **wherein the goods are transferred one or more times by means of an instrument selected from the group consisting of contracts, leases or licenses**, said instrument having terms wherein the instrument and all subsequent instruments transferring said goods reserve some or all of the intellectual property rights in the goods to the transferor and wherein the transferee is prohibited from using the goods to develop any new intellectual property by the terms of the instrument.

[0007] Another embodiment of the method of the present invention provides for a method of doing business comprising the transfer of goods from a licensor to a licensee **wherein the goods are transferred by means of a license having terms** wherein the license reserves some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license.

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[0008] The invention of the present method further provides for a method of doing business comprising the transfer of goods from a licensor to a licensee ***wherein the goods are transferred one or more times by means of a license having terms wherein the license*** and all intervening licenses and sub-licenses reserve some or all of the intellectual property rights in the goods to the licensor and wherein the licensee, assignee or sub-licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license wherein the last transfer is a transfer of goods at retail.

[0009] More particularly, the invention of the present method provides for a method of doing business comprising the transfer of goods from a licensor to a licensee ***wherein the goods, subject to a least one claim of at least one valid and enforceable patent, are transferred by means of a license*** having terms wherein the license reserves some or all of the intellectual property rights in the goods to the licensor and wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license.

[0016] The present invention constitutes a method of doing business ***wherein new compositions of matter or articles of manufacture covered by the claims of valid and enforceable patents are transferred by means of an instrument selected from the group consisting of contracts, leases and licenses wherein the transferee is prohibited from using the goods to develop new intellectual property by the terms of the instrument.*** Such a transfer where some of the rights are reserved is not a sale of all right title and interest (hereafter "sale"). Because there is no sale of the patented goods, there is no operation of the first sale doctrine. Instead of making, using or selling the patented composition, the inventor, patentee or assignee (hereafter patentee) generally licenses or leases the composition or article of manufacture covered by the claims of one or more valid and enforceable patents (in of two particular embodiments). The license or lease of the present invention confers almost all of the rights associated with a transfer of ownership that would otherwise be a complete transfer of all right, title and interest but for the reservation of rights in intellectual property which at its very least includes a prohibition on experimentation to develop new intellectual property. Thus, some or all of the rights to the intellectual property embodied in the patented invention are reserved to the patentee along with the right to use the claimed invention in any experimental fashion that might possibly result in the creation of additional new intellectual property (as used in this application the terms "inventor," "patentee" and "assignee of the patent" are used more or less interchangeably to denote that legal entity possessing all right, title and interest in and to the patented invention). Furthermore, the creation of

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additional new intellectual property by the transferee (licensee, assignee of the license, sub-licensee or sub-transferee) of the instrument is prohibited by the terms of the instrument. Such additional intellectual property includes but is not limited to patentable subject matter, copyrightable subject matter and trade secret matter among others previously recited. **The instrument transfers the right to possess and use but reserves to the patentee (or assignee of the patent) some or all of the intellectual property rights along with the right to use the patented composition to develop new intellectual property rights.** If the instrument is grounded in more than one patent, at the expiration of the latest to expire patent in which the instrument is grounded, the instrument expires. But for the new claimed composition or article of manufacture, new intellectual property, i.e. additional inventions or trade secrets would not be possible. Inventions utilizing the claimed composition or article of manufacture would consequently be obtained in violation of the instrument. **The instruments of the present invention preserves a patentee's interest in derivative improvement inventions for the term of the instrument.** This also furthers an important public policy interest in stimulating development of new and useful inventions and arts because the reservation of rights by an inventor, patentee or assignee utilized by the licenses (or leases) of the present invention redirects the efforts of others in designing around the patented intellectual property that is protected by the instruments, i.e. contracts, licenses or leases of the present invention. The instruments of the present invention may be granted for a term less than that of the patent or patents under which the instrument is granted.

**[0029] Composite materials comprising the claimed invention and materials that are standard items of commerce could be transferred in the business method of the present invention to subsequent users by a hybrid transaction constituting both a sale and license.** Such a hybrid transaction would consist of a sale of the ordinary items of commerce comprising the composite or manufactured article and a license covering the claimed composition as a component in the composite or manufactured article transferring ordinary use to the licensee but reserving the right to develop additional intellectual property rights to the licensor. In each transfer and subsequent transfer thereafter, each transferee and subsequent transferee would be required to be put on notice that the material being transferred was being transferred in a hybrid sale and license transaction wherein the portion of the material subject to the license was under a reservation of intellectual property rights.

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Thus, based on the discussion above, the applicant considers the transfer of patented goods to be a transfer of rights through an instrument selected from the groups consisting of contracts, leases or licenses [0006].

If applicant is claiming transferring rights to goods via a license, applicant may consider the following:

A method of doing business comprising a transfer of goods owned by a licensor from the licensor to a licensee, comprising:

providing goods claimed in one or more patents owned by a licensor to licensee,

transferring the rights in the goods from the licensor to the licensee via a license.....

If applicant is claiming the conditions surrounding the transfer, the applicant may want to consider the following:

A method of doing business comprising a transfer of goods owned by a licensor from the licensor to a licensee, wherein the goods are claimed in one or more patents owned by the licensor, comprising:

providing goods claimed in one or more patents owned by a licensor to a licensee, said patents comprising intellectual property rights in the goods;

providing a license having terms, said terms reserving some or all of the intellectual property rights in the goods to the licensor;

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transferring rights to goods owned by the licensor from the licensor to the licensee via the license.

Note: If applicant is claiming the act of transferring of goods, the language wherein the goods are claimed in one or more patents further identifies the goods and would be considered non-functional descriptive data because the physical transfer of the goods would be performed the same no matter whether the goods are claimed in patents or not.

The language wherein the terms of the license reserve some or all of the intellectual property rights in the goods and wherein the licensee is prohibited from using the goods to develop any new intellectual property identifies the license and would be considered non-functional descriptive data because the physical transfer or the goods would be performed the same no matter what the terms of the license.

***Claim Rejections - 35 USC § 101***

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

4. Claim 1 and 3-28 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. See detailed discussion below.



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As the Supreme Court held, Congress chose the expansive language of 35 U.S.C. § 101 so as to include "anything under the sun that is made by man." *Diamond v. Chakrabarty*, 447 U.S. 303, 308-09, 206 USPQ 193, 197 (1980). In *Chakrabarty*, 447 U.S. at 308-309, 206 USPQ at 197, the court stated:

In choosing such expansive terms as "manufacture" and "composition of matter," modified by the comprehensive "any," Congress plainly contemplated that the patent laws would be given wide scope. The relevant legislative history also supports a broad construction. The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject matter as "any new and useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof]." Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318. The Act embodied Jefferson's philosophy that "ingenuity should receive a liberal encouragement." V Writings of Thomas Jefferson, at 75-76. See *Graham v. John Deere Co.*, 383 U.S. 1, 7-10 (148 USPQ 459, 462-464) (1966). Subsequent patent statutes in 1836, 1870, and 1874 employed this same broad language. In 1952, when the patent laws were recodified, Congress replaced the word "art" with "process," but otherwise left Jefferson's language intact. The Committee Reports accompanying the 1952 Act inform us that Congress intended statutory subject matter to "include anything under the sun that is made by man." S. Rep. No. 1979, 82d Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1923, 82d Cong., 2d Sess., 6 (1952). [Footnote omitted]

This perspective has been embraced by the Federal Circuit:

The plain and unambiguous meaning of section 101 is that any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may be patented if it meets the requirements for patentability set forth in Title 35, such as those found in sections 102, 103, and 112. The use of the expansive term "any" in section 101 represents Congress's intent not to place any restrictions on the subject matter for which a patent may be obtained beyond those specifically recited in section 101 and the other parts of Title 35.... Thus, it is improper to read into section 101 limitations as to the subject matter that may be patented where the legislative history does not indicate that Congress clearly intended such limitations.

*Alappat*, 33 F.3d at 1542, 31 USPQ2d at 1556.

35 U.S.C. § 101 defines four categories of inventions that Congress deemed to be the appropriate subject matter of a patent: processes, machines, manufactures and compositions of matter.

Federal courts have held that 35 U.S.C. § 101 does have certain limits. First, the phrase "anything under the sun that is made by man" is limited by the text of 35 U.S.C. § 101, meaning that one may only patent something that is a machine, manufacture, composition of matter or a process. See, e.g., *Alappat*, 33 F.3d at 1542, 31 USPQ2d at 1556; *In re Warmerdam*, 33 F.3d 1354, 1358, 31 USPQ2d 1754, 1757 (Fed. Cir. 1994). Second, 35 U.S.C. § 101 requires that the subject matter sought to be patented be a "useful" invention. Accordingly, a complete definition of the scope of 35 U.S.C. § 101, reflecting Congressional intent, is that any new and useful process, machine, manufacture or composition of matter under the sun that is made by man is the proper subject matter of a patent.

The subject matter courts have found to be outside of, or exceptions to, the four statutory categories of invention is limited to abstract ideas, laws of nature and natural phenomena. These three exclusions recognize that subject matter that is not a practical application or use of an idea, a law of nature or a natural phenomenon is not patentable. See, e.g., *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. (20 Wall.) 498, 507 (1874) ("idea of itself is not patentable, but a new device by which it may be made practically useful is"); *Mackay Radio & Telegraph Co. v. Radio Corp. of America*, 306 U.S. 86, 94, 40 USPQ 199, 202 (1939) ("While a scientific truth, or the mathematical expression of it, is not patentable invention, a

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novel and useful structure created with the aid of knowledge of scientific truth may be.”); Warmerdam, 33 F.3d at 1360, 31 USPQ2d at 1759 (“steps of ‘locating’ a medial axis, and ‘creating’ a bubble hierarchy . . . describe nothing more than the manipulation of basic mathematical constructs, the paradigmatic ‘abstract idea’”).

The courts have also held that a claim may not preempt ideas, laws of nature or natural phenomena. The concern over preemption was expressed as early as 1852. See *Le Roy v. Tatham*, 55 U.S. (14 How.) 156, 175 (1852) (“A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right.”); *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 132, 76 USPQ 280, 282 (1948) (combination of six species of bacteria held to be nonstatutory subject matter). Accordingly, one may not patent every “substantial practical application” of an idea, law of nature or natural phenomena because such a patent “in practical effect be a patent on the [idea, law of nature or natural phenomena] itself.” *Gottschalk v. Benson*, 409 U.S. 63, 71-72, 175 USPQ 673, 676 (1972).

A claim that requires one or more acts to be performed defines a process. The applicant’s invention is directed to a method or a process and thus falls within an enumerated statutory class.

However, not all processes are statutory under 35 USC Section 101. To be statutory, a claimed process must either: (A) result in a physical transformation which a practical application is either disclosed in the specification or would have been known to a skilled artisan, or (B) be limited to a practical application which

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produces a useful, tangible, and concrete result. See *Diehr*, 450 U.S. at 183-84, 209 USPQ at 6.

Upon making the determination that the invention is a method or process that falls within an enumerated statutory class, the Examiner must now determine whether the claimed invention falls within one of the Section 101 judicial exceptions, i.e., is the invention directed to laws of nature, natural phenomena or an abstract idea. Moreover, in evaluating whether the claims meet the requirements of section 101, the Supreme Court requires the Examiner to consider the claims as a whole to determine whether the invention is for a particular application of an abstract idea, rather than an abstract idea itself.

Inventions directed to nothing more than abstract ideas (such as mathematical algorithms), natural phenomena, and laws of nature are not eligible and therefore are excluded from patent protection. *Diehr*, 450 U.S. at 185, 209 USPQ at 7; accord, e.g., *Chakrabarty*, 447 U.S. at 309, 206 USPQ at 197; *Parker v. Flook*, 437 U.S. 584, 589, 198 USPQ 193, 197 (1978); *Benson*, 409 U.S. at 67-68, 175 USPQ at 675; *Funk*, 333 U.S. at 130, 76 USPQ at 281. "A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right." *Le Roy*, 55 U.S. (14 How.) at 175. Instead, such "manifestations of laws of nature" are "part of the storehouse of knowledge," "free to all men and reserved exclusively to none." *Funk*, 333 U.S. at 130, 76 USPQ at 281.

Thus, "a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter" under Section 101. *Chakrabarty*, 447 U.S. at

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309, 206 USPQ at 197. "Likewise, Einstein could not patent his celebrated law that  $E=mc^2$ ; nor could Newton have patented the law of gravity." Ibid. Nor can one patent "a novel and useful mathematical formula," Flook, 437 U.S. at 585, 198 USPQ at 195; electromagnetism or steam power, O'Reilly v. Morse, 56 U.S. (15 How.) 62, 113-114 (1853); or "[t]he qualities of \* \* \* bacteria, \* \* \* the heat of the sun, electricity, or the qualities of metals," Funk, 333 U.S. at 130, 76 USPQ at 281; see Le Roy, 55 U.S. (14 How.) at 175.

While abstract ideas, natural phenomena, and laws of nature are not eligible for patenting, methods and products employing abstract ideas, natural phenomena, and laws of nature to perform a real-world function may well be. In evaluating whether a claim meets the requirements of section 101, the claim must be considered as a whole to determine whether it is for a particular application of an abstract idea, natural phenomenon, or law of nature, rather than for the abstract idea, natural phenomenon, or law of nature itself.

The Examiner must ascertain the scope of the claim to determine whether it covers either a § 101 judicial exception or a practical application of a § 101 judicial exception. The conclusion that a particular claim includes a § 101 judicial exception does not end the inquiry because "[i]t is now commonplace that an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection." Diehr, 450 U.S. at 187, 209 USPQ at 8 (emphasis in original); accord Flook, 437 U.S. at 590, 198 USPQ at 197; Benson, 409 U.S. at 67, 175 USPQ at 675. Thus, "[w]hile a scientific truth,

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or the mathematical expression of it, is not a patentable invention, a novel and useful structure created with the aid of knowledge of scientific truth may be."

Diehr, 450 U.S. at 188, 209 USPQ at 8-9 (quoting Mackay, 306 U.S. at 94); see also Corning v. Burden, 56 U.S. (15 How.) 252, 268, 14 L.Ed. 683 (1854)("It is for the discovery or invention of some practical method or means of producing a beneficial result or effect, that a patent is granted . . .").

In light of the rejection under 35 USC Section 112, second paragraph, and in light of the specification, it appears that the applicant is directing the invention to terms of the license, contract or other legal instrument wherein the license/contract/legal instrument reserves some or all of the intellectual property rights in the goods to the licensor, and wherein the licensor is prohibited from using the goods to develop any new intellectual property by the terms of the license. Assuming this is correct, the Examiner asserts that the applicant's invention is directed to a legal concept and thus is an abstract idea. The Examiner now must determine if the applicant's invention is a particular application of an abstract idea.

For claims including such excluded subject matter to be eligible, the claim must be for a practical application of the abstract idea, law of nature, or natural phenomenon. Diehr, 450 U.S. at 187, 209 USPQ at 8 ("application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection."); Benson, 409 U.S. at 71, 175 USPQ at 676 (rejecting formula claim because it "has no substantial practical application").

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To satisfy section 101 requirements, the claim must be for a practical application of the § 101 judicial exception, which can be identified in various ways:

- (a). The claimed invention "transforms" an article or physical object to a different state or thing.
- (b) The claimed invention otherwise produces a useful, concrete and tangible result, based on the factors discussed below.

The applicant's invention does not transform an article or physical object to a different state or thing. Transferring goods or transferring rights to goods via an instrument allows the goods to remain in the same state, albeit allowing them to change physical locations.

For eligibility analysis, physical transformation "is not an invariable requirement, but merely one example of how a mathematical algorithm [or law of nature] may bring about a useful application." AT&T, 172 F.3d at 1358-59, 50 USPQ2d at 1452. Since the Examiner determined that the claims do not entail the transformation of an article, the Examiner must review the claim to determine if the claim provides a practical application that produces a useful, tangible and concrete result. In determining whether the claim is for a "practical application," the focus is not on whether the steps taken to achieve a particular result are useful, tangible and concrete, but rather that the final result achieved by the claimed invention is "useful, tangible and concrete." The claim must be examined

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to see if it includes anything more than a § 101 judicial exception. If the claim is directed to a practical application of the § 101 judicial exception producing a result tied to the physical world that does not preempt the judicial exception, then the claim meets the statutory requirement of 35 U.S.C. § 101. If the examiner does not find such a practical application, the examiner has determined that the claim is nonstatutory. In determining whether a claim provides a practical application that produces a useful, tangible, and concrete result, the examiner considers and weighs the following factors:

For an invention to be “useful” it must satisfy the utility requirement of section 101. The USPTO’s official interpretation of the utility requirement provides that the utility of an invention has to be (i) specific, (ii) substantial and (iii) credible. MPEP § 2107 and Fisher, 421 F.3d at \_\_\_, 76 USPQ2d at 1230 (citing the Utility Guidelines with approval for interpretation of “specific” and “substantial”).

The Examiner asserts that the applicant’s invention has a specific, substantial and credible result and thus produces a useful result.

The tangible requirement does not necessarily mean that a claim must either be tied to a particular machine or apparatus or must operate to change articles or materials to a different state or thing. However, the tangible requirement does require that the claim must recite more than a § 101 judicial exception, in that the process claim must set forth a practical application of that § 101 judicial exception to produce a real-world result. Benson, 409 U.S. at 71-72, 175 USPQ at 676-77 (invention ineligible because had “no substantial practical



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application.”). “[A]n application of a law of nature or mathematical formula to a ... process may well be deserving of patent protection.” Diehr, 450 U.S. at 187, 209 USPQ at 8 (emphasis added); see also Corning, 56 U.S. (15 How.) at 268, 14 L.Ed. 683 (“It is for the discovery or invention of some practical method or means of producing a beneficial result or effect, that a patent is granted . . .”). In other words, the opposite meaning of “tangible” is “abstract.”

The Examiner asserts that the method claim does not produce a real-world result, or beneficial effect and thus has no substantial application. The invention as claimed is either directed to a transfer goods, which does not result in a physical transformation or reduction of the goods to a different state or thing, or the invention identifies a legal concept, and thus is directed to an abstract idea.

Another consideration is whether the invention produces a “concrete” result. Usually, this question arises when a result cannot be assured. In other words, the process must have a result that can be substantially repeatable or the process must substantially produce the same result again. In re Swartz, 232 F.3d 862, 864, 56 USPQ2d 1703, 1704 (Fed. Cir. 2000) (where asserted result produced by the claimed invention is “irreproducible” claim should be rejected under section 101). The opposite of “concrete” is unrepeatable or unpredictable. Resolving this question is dependent on the level of skill in the art.

The Examiner asserts that the applicant’s invention is not repeatable or predictable. The invention is directed to trying to control human behavior based on an abstract intellectual or legal concept which provides an obligation for a

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person to do or not do something. The results of the invention cannot be assured since trying to control human behavior with an abstract intellectual or legal concept is not assured. It is up to the licensee/party whether the licensee actually abides by the abstract intellectual or legal concept and honors the obligation set forth in the abstract intellectual or legal concept. The Examiner asserts that this control of human behavior is not predictable since only the party/licensee knows whether he/she will honor the obligation.

Even when a claim applies a mathematical formula, for example, as part of a seemingly patentable process, the examiner must ensure that it does not in reality "seek[] patent protection for that formula in the abstract." Diehr, 450 U.S. at 191, 209 USPQ at 10. "Phenomena of nature, though just discovered, mental processes, abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work." Benson, 409 U.S. at 67, 175 USPQ at 675. One may not patent a process that comprises every "substantial practical application" of an abstract idea, because such a patent "in practical effect would be a patent on the [abstract idea] itself." Benson, 409 U.S. at 71-72, 175 USPQ at 676; cf. Diehr, 450 U.S. at 187, 209 USPQ at 8 (stressing that the patent applicants in that case did "not seek to pre-empt the use of [an] equation," but instead sought only to "foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process"). "To hold otherwise would allow a competent draftsman to evade the recognized limitations on the type of subject matter eligible for patent protection." Diehr, 450 U.S. at

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192, 209 USPQ at 10. Thus, a claim that recites a computer that solely calculates a mathematical formula (see Benson) or a computer disk that solely stores a mathematical formula is not directed to the type of subject matter eligible for patent protection.

The applicant's invention is effectively directed to an abstract intellectual legal concept. For applicant to get a patent on an abstract intellectual legal concept such as presented in this application, would allow applicant to have a patent on the abstract concept of the terms of contracts, licenses, or legal instruments in which terms and conditions are inherent. Any practical application of a license/legal instrument/ contract is going to be involved in the transfer of patented goods or the transfer in rights to goods via a legal instrument involving a patent. Since applicant's recited claims are so broad, applicant's invention, in essence, encompasses every practical application of the license/contract/legal instrument. Thus, applicant is seeking protection of a legal concept.

### ***Claim Rejections - 35 USC § 102***

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

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5. Claims 1 and 3-28 are rejected under 35 U.S.C. 102(b) as being anticipated by Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology (hereinafter referred to as Erbisch).

Erbisch discloses a method of doing business comprising the transfer of protected intellectual property rights in goods from a licensor to a licensee.

Terms and conditions are inherent in any license (pages 31-47).

***Claim Rejections - 35 USC § 103***

**See MPEP §2112 expressly authorizing alternative §102/§103 rejections when the question of inherency is present in the anticipation rejection.**

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. Claims 1 and 3-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Erbisch and Maredia, Intellectual Property Rights in Agricultural Biotechnology (hereinafter referred to as Erbisch).

**Referring to Claims 1, 13, 25, 26, 27, 28:**

Claims 1, 13, 25, 26, 27, and 28 all read on a method of doing business comprising the transfer of goods from a licensor to a licensee or comprising the transfer of goods from a transferor to a transferee by a license in the area of intellectual property.

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Erbisch discloses a method of doing business comprising the transfer of protected intellectual property goods from a licensor to a licensee or a transferor to a transferee by a license having terms in the area of intellectual property. (see Transferring Intellectual Properties - pages 31-47. Erbisch also discloses the transfer of intellectual property rights which would include patents.

Erbisch does not disclose that the license reserves some or all of the intellectual property rights in the goods to the licensor wherein the licensee is prohibited from using the goods to develop any new intellectual property by the terms of the license are all terms and conditions that are set for the in a license, or that the goods are claimed in one patent or one or more patents, or wherein the license may be assigned, or may be assigned by the licensee to a first assignee, or whereby the license may be further assigned by the first assignee to a second assignee.

However, the examiner takes Official Notice that terms and conditions are old and well known in all licenses. For example, the term of a lease (month to month) or the duration of the lease (six months, one year) or whether the lease provides for a sublease, or whether the lease or license provides for an assignment are all old and well known terms and conditions of a lease.

It would have been obvious to one of ordinary skill in the art to draft a license as presented in claims 1, 13, 25, 26, 27, and 28 with any or all of the terms and conditions set forth in claims 3-12 and 14-24 since a license is primarily used for the voluntary exchange of an invention for money or some other consideration wherein the license is a written document produced

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describing the obligations of both parties, thus guiding the parties to what they can and cannot do, thus providing a dispute mechanism to which the parties can refer when misunderstandings or disagreements occur.

The examiner also takes Official Notice that a lease is an exclusive license and both leases and licenses are contract instruments that convey the right to use or possess to another. A contract, a lease and a license are all legal instruments. A contract is defined in Black Law Dictionary (attached) as an agreement between two or more persons which creates an obligation to do or not to do a particular thing. Therefore, the fact that the licensee is prohibited from using the goods to develop any new intellectual property is merely a condition or obligation not to do a particular thing.

### ***Response to Arguments***

7. Applicant's arguments filed February 14, 2007 have been fully considered but they are not persuasive.

As for applicant's arguments as to the rejection under 35 USC 101, the Examiner directs the applicant to legal analysis in the discussion of the 101 rejection. Although the applicant does not agree with the analysis, the Examiner asserts that the Examiner has made a correct analysis and that applicant's arguments are not persuasive. Applicant is directed to the case law provided in the discussion as to how the terms tangible, abstract, and concrete are defined.

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As for applicant's arguments as to the rejection under 35 USC 102, the applicant simply states that the Examiner has failed to set forth in sufficient detail a rejection complying with the provisions of the MPEP.

As for applicant's traversal of the Official Notice, a "traverse" is a denial of an opposing party's allegations of fact.<sup>1</sup> The Examiner respectfully submits that applicants' arguments and comments do not appear to traverse what Examiner regards as knowledge that would have been generally available to one of ordinary skill in the art at the time the invention was made. Even if one were to interpret applicants' arguments and comments as constituting a traverse, applicants' arguments and comments do not appear to constitute an adequate traverse because applicant has not specifically pointed out the supposed errors in the examiner's action, which would include stating why the noticed fact is not considered to be common knowledge or well-known in the art. 27 CFR 1.104(d)(2), MPEP 707.07(a). An adequate traverse must contain adequate information or argument to create on its face a reasonable doubt regarding the circumstances justifying Examiner's notice of what is well known to one of ordinary skill in the art. In re Boon, 439 F.2d 724, 728, 169 USPQ 231, 234 (CCPA1971).


If applicant does not seasonably traverse the well known statement during examination, then the object of the well known statement is taken to be admitted prior art. In re Chevenard, 139 F.2d 71, 60 USPQ 239 (CCPA 1943). MPEP 2144.03 Reliance on Common Knowledge in the Art or "Well Known" Prior Art.

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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Janice A. Mooneyham whose telephone number is (571) 272-6805. The examiner can normally be reached on Monday through Thursday.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, John Weiss can be reached on (571) 272-6812. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.



JAN MOONEYHAM  
PRIMARY EXAMINER  
TECHNOLOGY CENTER 3600

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<sup>1</sup> Definition of Traverse, Black's Law Dictionary, "In common law pleading, a traverse signifies a denial."